

UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 21, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$17.76. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3610 or Report ID No. 06802345 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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March 5, 2007

UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2006, we considered the University of New Orleans' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the University of New Orleans' internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget (OMB) Circular A-133.

The annual financial information provided to the Louisiana State University System by the University of New Orleans was not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the University of New Orleans for the year ended June 30, 2005, we reported a finding relating to the deficiency in disaster recovery plan. That finding has been substantially resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

Missing/Stolen Movable Property

The University of New Orleans (UNO) failed to maintain adequate control over movable property and did not follow its property control operating procedures. In addition, UNO management did not notify the district attorney and legislative auditor of thefts immediately as required by law. Good internal control requires that adequate control procedures be in place to ensure that movable property is properly safeguarded against

losses arising from unauthorized use or theft. UNO's property control operating procedures state, in part, that the university department heads are responsible for all movable equipment within their departments. The department equipment custodian will report immediately to property control any items that are transferred to another department, lost, stolen, traded in, or are no longer needed by the department by completing the "Property Transfers" form or the "Property Deletion Request." In addition, Louisiana Revised Statute (R.S.) 24:523 states, "An agency head of an auditee who has actual knowledge of any misappropriation of public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation."

UNO's management did not enforce its existing property control and operating procedures, in large part because of the damage and staff disruptions caused by Hurricane Katrina. The university reported 1,225 items of movable property as missing/stolen with a total value of \$3,183,708 in the current fiscal year. The items of movable property reported stolen consisted of approximately:

- 113 computers
- 19 video projectors
- 20 digital cameras/camcorders
- 7-42" plasma displays
- 11 flat screen monitors
- 1 Aerostar minivan
- Various other movable property items

Many of the items of movable property reported missing/stolen were not reported to the appropriate level of university management by the department heads or other responsible university employees for up to six months after the department head or other responsible university employee determined that the event had occurred. As a result of the devastation caused by Hurricane Katrina, the university received an exemption from the Louisiana Property Assistance Agency from taking the movable property inventory, which would normally have been performed in May 2006. However, the university completed an inventory in September 2006 to determine items of movable property missing/stolen as indicated above.

Failure to enforce existing policies and procedures subjects the university's movable property to increased risk of loss arising from unauthorized use or theft. Because of the untimely notification by department heads or other responsible university employees to university management of stolen or missing property, the investigation and recovery effort was impaired and subjects management to noncompliance with R.S. 24:523. Furthermore, because of the nature of services provided by the university, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

UNO's management should strengthen internal controls to safeguard its movable property and enforce its existing policies and procedures regarding property custodian responsibility for the immediate reporting to the appropriate levels of management and to the UNO Police Department of property that is missing or stolen to ensure that appropriate recovery action and compliance requirements are met. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-3).

Overpayment of Terminated Employees

The UNO internal audit department reported that the university made possible overpayments totaling \$351,351 to employees after their official termination date and the overpayments have not been recouped. The university policies and procedures state that department supervisors should notify the university's human resources department immediately upon an employee's termination. Article VII, Section 14 of the Louisiana Constitution of 1974 prohibits the funds of the state or any political subdivision to be loaned, pledged, or donated to or for any person, association, or corporation, public or private. R.S. 42:460 provides the university the ability to develop rules to recoup overpayments made to state employees.

These overpayments occurred because the terminated employees' supervisors did not follow established procedures to notify human resources in a timely manner so that the employees would be terminated in the PeopleSoft-Human Resources system. In addition, even though the department requires employees to complete a time sheet or time certification to document time and attendance that is approved by the employee's immediate supervisor, the department is not ensuring that there is an approved time sheet for all employees scheduled to receive a paycheck.

As a result, the university continued to pay certain employees after they had terminated employment with the university, according to the UNO's internal audit department. Also, because the overpayments to terminated employees are interest free with no collateral, it appears the university violated Article VII, Section 14 of the Louisiana Constitution.

Management should emphasize and enforce its policy that department supervisors notify the university's human resources department immediately upon an employee's termination and should establish procedures to verify that all employees scheduled to be paid have submitted a completed, approved time sheet or time certification. In addition, management should be diligent in recovering overpayments from the terminated employees. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 4-5).

Inadequate Controls Over Time Sheet Approvals

The UNO payroll department did not generate time certifications for academic and fiscal employees during the period following Hurricane Katrina from August 16, 2005, through June 15, 2006, to ensure that hours worked corresponded with the conditions of employees' appointments. In addition, classified employees were not required to submit approved time sheets to the payroll department during the period from August 16, 2005, through January 3, 2006, unless leave was taken. UNO's procedure regarding payroll certification and approval states that supervisors must sign the certification form and return the completed form to the payroll department within five days of the receipt of the form for those employees to receive their paychecks. In addition, good internal control would require that the payroll department obtain approvals/certifications of hours worked to ensure that financial data are authorized and accurate before recording and processing payments to employees.

Certain payroll procedures were suspended after the hurricane. According to UNO management, the time certification suspension was due to lack of available computer processes, displaced employees, and the relocation of the payroll office to Baton Rouge.

The lack of adequate controls to generate and approve time certifications for academic and fiscal employees and to submit approved time sheets for classified employees increases the risk that errors and/or fraud could occur related to hours worked, leave taken, pay status, and payments after termination, which may not be detected in a timely manner.

The university should follow and enforce its established procedure regarding payroll time certification and submission of approved time sheets to the payroll department by university employees. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 6).

Inadequate Support and Untimely Reimbursement Requests

UNO did not maintain adequate supporting documentation for federally funded programs. In addition, invoices to request reimbursements from grantor agencies for expenditures were not submitted timely according to the requirements in the grant agreements. OMB Circular A-133, Subpart C, Section 300(b), requires UNO to establish internal controls over federally funded programs to provide reasonable assurance that UNO is managing federal awards in compliance with grant provisions. Proper administration would include controls to ensure that expenditures are properly calculated, supported by adequate documentation, and reimbursements are requested timely.

UNO's grants and contracts department calculated expenditures to be reimbursed cumulatively, not according to the time period and amount of specific invoices. Therefore, it could not be determined if expenditures for which the university was requesting reimbursement were supported by invoices applicable to program expenditures and whether those expenditures were allowable.

Our tests of UNO's compliance with federal program requirements revealed the following deficiencies:

Research and Development Direct Funds

- For Basic and Applied Scientific Research (CFDA 12.300), the agreement states that UNO will submit quarterly federal cash transaction reports (invoices). Two out of two revenue transactions tested that were traced to the invoice and tested were submitted untimely. The invoice, which should have included both transactions, was due by October 15, 2005, but it was not submitted until November 22, 2005 (38 days late). Also, we could not obtain a listing of expenses that corresponded with the Federal Cash Transaction Reports (reimbursement requests) and the Financial Status reports. For four of the six reports tested we could not trace actual expenses to the requests for reimbursement, which resulted in a 67% error rate.
- For Mathematical and Physical Sciences (CFDA 47.049), UNO's grants and contracts department could not provide support for expenses, which resulted in a 100% error rate.
- For Biological Sciences (CFDA 47.074), UNO's grants and contracts department could not provide support for expenses, which resulted in a 100% error rate.

Research and Development - Subrecipient Funds

- For Aerospace Education Services (CFDA 43.001), the agreement states that UNO will submit two monthly and four quarterly invoices to the Board of Regents. Two out of two revenue transactions tested that were traced to the invoice and included expense transactions were submitted untimely and invoiced during the incorrect period. The first transaction was submitted November 7, 2005 (23 days late). The second invoice was submitted March 20, 2006 (5 days late).
- For National Center for Research Resources (CFDA 93.389), the agreement states that UNO will submit monthly invoices to Louisiana State University. We tested one revenue transaction for which an invoice was applicable. This invoice was not submitted until December 31, 2005, and included nine months of expenditures. Therefore, the expenditures included on the invoice were submitted from one month to 10 months late.
- For Center for Hazards Assessment, Response and Technology (CHART) (CFDA 97.039), the agreement states that requests for reimbursements are to be submitted to Louisiana Homeland Security/Emergency Preparedness office on the first day of each federal quarter (October 1, January 1,

April 1, and July 1). Untimely requests for reimbursements for three of three invoices tested were submitted from nine days to six months late.

Subrecipient Funds

- For Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126), the agreement states that UNO will submit monthly invoices to Louisiana Rehabilitation Services. We obtained the reimbursement request for all 12 months of the fiscal year to test for timely submission of the requests. We noted that five of the 12 requests for reimbursement were not submitted timely according to the grant agreement. Two were submitted one month late; two were submitted two months late; and one was submitted three months late. The untimely submission of the requests resulted in a 42% error rate.
- For Special Education - Grants to States (CFDA 84.027), the agreement states that requests for reimbursements are to be submitted to Louisiana Department of Education by the 15th of the month following the request period. We selected eight revenue transactions to test. For five of the eight transactions tested, the reimbursement request was submitted from two days to four months late.

Management of UNO failed to comply with regulations and contractual agreements under federally funded programs and was unable to provide assurance that expenditures were properly calculated, supported by adequate documentation, and requested timely for reimbursement. Therefore, the program costs for the following programs are questioned:

Research and Development Direct Funds:

CFDA 12.300 - Basic and Applied Scientific Research	\$369,816
CFDA 47.049 - Mathematical and Physical Sciences	89,396
CFDA 47.074 - Biological Sciences	41,359

UNO's management should ensure that adequate documentation is maintained to support the accuracy of expenditures included in reimbursement requests under federally funded programs. In addition, management should ensure that invoices are submitted timely according to the requirements in the agreements for federally funded programs. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 7).

Lack of Employee Leave Documentation

The UNO human resources department did not have adequate internal controls to ensure that leave earnings, for those employees returning from sabbatical leave, continued to accrue in PeopleSoft when the employees' pay basis changed from sabbatical leave to active employment. As a result, sick leave did not accrue for seven of 28 (25%) employees tested. In addition, the human resources department did not record leave for

Charter School employees in PeopleSoft nor could it provide documentation of leave earned and/or taken by Charter School employees as well as written documentation stating type of leave earned and rate of leave earnings.

Management did not implement effective internal controls over the identification of those employees with a change in pay basis and failed to place sufficient emphasis on maintaining and recording leave for Charter School employees. As a result, the risk of reporting financial data that are not accurately and completely recorded, processed, and summarized increased.

The UNO human resources department should establish adequate internal controls and written procedures to ensure that documentation is maintained for active employees' leave accruals for reporting in the financial statements. UNO should also establish leave tracking in PeopleSoft for Charter School employees and maintain written documentation of the type of leave accrued and rate of leave accruals. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 8-9).

Inadequate Subrecipient Monitoring

UNO did not adequately monitor subrecipients of the Research and Development Cluster [Habitat Conservation Program (CFDA 11.463) and Research and Technology Development Program (CFDA 12.910)] for compliance with federal laws and regulations. OMB Circular A-133 requires that a pass-through entity be responsible for (1) award identification to the subrecipient at the time of the award; (2) monitoring the subrecipients' use of the federal awards through reporting, site visits, regular contacts, et cetera; (3) ensuring that subrecipients that expend more than \$500,000 meet the audit requirements of OMB Circular A-133; and (4) evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Our test of five subrecipients' progress reports disclosed the following:

- No documentation was provided to show that UNO had monitored all of the applicable compliance requirements.
- No evidence existed of review and approval of the progress reports by UNO.
- No documentation of subrecipient site visits was provided.
- Two of the five subrecipients tested received pass-through funds of over \$500,000. No documentation was provided that these subrecipients met their audit requirements under OMB Circular A-133.

Management has not ensured that its staff is performing and documenting subrecipient monitoring. Failure to monitor subrecipients and document subrecipient reviews increases the risk of noncompliance with federal laws and regulations applicable to the Research and Development Cluster programs and increases the risk that funds may not be expended in accordance with program requirements. As a result, the program costs of \$1,610,003 are questioned.

UNO's management should ensure that all monitoring reviews of subrecipients are adequately documented to ensure compliance with the Research and Development Cluster requirements and OMB Circular A-133. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 10-11).

Inadequate Federal Grant Records

The UNO grants and contracts department has not maintained adequate internal controls over grant records to ensure that all federally funded programs that are in the university's accounting system are identified. OMB Circular A-110 requires that recipients' financial management systems shall provide records that identify adequately the source and application of funds for federally sponsored activities and also provide effective control over and accountability for all funds, property, and other assets. OMB Circular A-133 requires that it is the responsibility of the university to identify in its accounts, all federal awards received and expended and the federal programs under which they were received.

UNO did not maintain an ongoing comprehensive inventory of all federal awards received from pass-through sources and there was no distinction to clearly identify each pass-through award as either a vendor or subrecipient relationship. In addition, UNO's grants and contracts department did not provide identification of a complete listing of federal direct awards that are reported in the accounting system. The listing provided only included those federal direct awards that assessed indirect cost.

Failure by UNO's management to maintain a comprehensive inventory of all federal awards and to clearly identify all federally funded programs subjects UNO to noncompliance with federal program requirements.

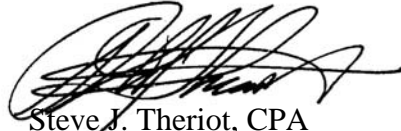
UNO management should effectively implement policies and procedures to ensure that all federally funded programs from pass-through sources and direct federal awards are properly identified in the accounting and reporting systems. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 12).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the university. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the university should be considered in reaching decisions on courses of action. Findings relating to

the university's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the university and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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UNO06

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Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



THE UNIVERSITY of
NEW ORLEANS

OFFICE OF THE CHANCELLOR

October 24, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Management Response to Finding Regarding Missing/Stolen Movable Property

Dear Mr. Theriot:

In response to the 2005/2006 audit finding concerning "Missing/Stolen Movable Property", the University of New Orleans provides the following information:

The University of New Orleans concurs with the finding that the University did not maintain adequate control over moveable property and was unable to follow its property control operating procedures. The University does feel it is relevant to consider the extreme circumstances presented in the aftermath of Hurricane Katrina and that this year in no way represents normal conditions for the control of movable property at the University. The University has responded in detail to each of the three components of the finding to demonstrate the extreme circumstances under which the University was operating and why the University would have been in compliance had it not been for the extreme conditions and devastation caused by hurricane Katrina.

Failure to maintain adequate control over movable property

After Hurricane Katrina struck on August 29, 2005, the UNO main campus was surrounded by water for several weeks. Rescue personnel transported over 2,000 evacuees on the University's campus leaving them without food, water, or security. The evacuees broke into many buildings on campus causing damage to structures and contents. No prior agreement was made or even inquired about for evacuees to be housed on campus. Because we were not aware that the UNO main campus would serve as an evacuation site, no plans were in place to provide additional security to maintain control over movable property. Unfortunately, the evacuees were responsible for considerable vandalism, theft, and damage to property.

Almost all campus buildings were damaged by flood and/or wind and required mold remediation prior to normal access or occupancy. Obviously, damage and the need for remediation were extensive. The Louisiana Office of Facility Planning and Control contracted with mold remediation companies to perform the remediation of the buildings. University personnel were prohibited from accessing buildings during remediation or supervise the performance of the mold remediation companies. Unfortunately, we suspect that many items were stolen by the mold remediation vendor personnel during the remediation efforts that occurred in the early period prior to general campus occupancy (January 2006). During this early period, it was extremely difficult to abide by traditional property control procedures since university personnel were not permitted to enter University buildings.

The major reason for the magnitude of missing equipment was the timing of the inventory in relation to our recovery from the hurricane. Over half of our buildings were not remediated and fully accessible until February 2006 or later. Because of this, the University requested and received an exemption from the Louisiana Property Assistance Agency from completing its Annual inventory for fiscal year 2005-2006. It was not until mid-August of 2006 that the University was informed that we would need to conduct an inventory prior to the end of September 2006. As stated in the finding, an inventory was completed in September 2006, however, because of the extreme conditions (including lack of time and staff to conduct the inventory) along with the great number of equipment movements necessitated by the storm, it was impossible to conduct the inventory in the thorough and complete manner that we would in a normal year (we usually conduct the inventory over a 9 month period). Time and personnel were just not available to follow-up on missing items as we would normally.

It is probable that many of the missing items will be located during the next inventory which should be completed in May of 2007. This is because the campus is returning to normal operations as more buildings are cleared for occupancy and UNO departments are returning to their pre-Katrina locations. Also, the massive equipment movement which was necessary to continue operations during the recovery and remediation process should diminish considerably. The Property Control Office is now fully staffed and should be able to confirm the location of many of the missing items and reduce the list significantly.

Failure to follow its property control operating procedures

There are many aspects of UNO's property control operating procedures including: tagging property, updating the master equipment inventory for acquisitions and transfers, surplus/deleting movable property, conducting and certifying an annual inventory, handling federal property, etc. Despite the unique challenges the University faced, UNO was able to follow all property control operating procedures with the exception of the requirement for "immediate notification for stolen or missing items". This portion of the finding could have been more accurately stated as "the University did not follow its property control operating procedures regarding immediate notification for stolen or missing items" rather than the blanket statement that we did not follow our procedures generally.

Because buildings were not normally accessible prior to remediation, University departments were unable to notify Campus Police and Property Control of stolen or missing items until their buildings were remediated and accessible, which is the reason some of the reports of stolen and missing equipment were made months after that actual storm.

Did not notify the District Attorney and Legislative Auditor of thefts immediately

This portion of the finding, although true, is a direct consequence of the above listed portion of the finding, the department heads' failure to report stolen equipment immediately to the Campus Police. We feel it may have been more appropriately listed as a consequence of that area of noncompliance. Of course, management could not report thefts to the District Attorney and Legislative Auditor without first being notified of the theft.

The following corrective action plan will be implemented to correct the internal control weakness and noncompliance. Mandatory training sessions will be conducted for all property custodians and their supervisors during the month of December 2006. The sessions will focus on departmental responsibilities for the control of movable property including a general review of property control operating procedures with an emphasis on timely reporting of stolen and missing equipment. Our property control operating procedures will also be amended to address the need for departmental

interaction with Property Control after a natural disaster or other catastrophic events. Roy D. Robertson will be the contact person responsible for the corrective action and it is anticipated that the plan will be completed prior to January 1, 2007.

In conclusion, we concur with the finding and have implemented a corrective action plan to correct the internal control weaknesses and areas of noncompliance brought to light in the aftermath of hurricane Katrina. However, in fairness to the University, we also believe that it is important to acknowledge that the conditions of noncompliance would not have occurred had it not been for the devastation caused by the worst natural disaster to hit the United States in recorded history.

Sincerely,



Timothy P. Ryan
Chancellor

No.	Building	Remediation Dates
1	Computer Center	11/1/05 – 11/23/05
2	Library	10/31/05 - 12/01/05
3	Kirschman Hall	11/28/05 – 12/08/05
4	Bienville Hall & Commons	11/29/05 – 2/8/06
5	Jefferson Center	10/24/05 – 12/13/05
6	Biology	11/27/05 – 12/27/05
7	Science	12/9/05 – 1/8/06
8	Administration Annex	11/28/05 – 1/14/06
9	Mathematics	12/14/05 – 2/3/06
10	Liberal Arts	12/19/05 – 2/4/06
11	Chemical Science Annex	1/17/06 – 2/8/06
12	University Center	11/22/05 – 2/20/06
13	Lakefront Arena	12/7/05 – 2/23/06
14	Engineering Building	1/6/06 – 2/25/06
15	Business Building	1/16/06 – 3/24/06
16	Recreation & Fitness	3/6/06 – 4/10/06
17	Education Building	11/9/05 -5/2/06
18	Geology & Psychology	5/1/06 – 6/21/06
19	CERM	5/23/06 – 6/23/06
20	Performing Arts	6/23/06 – 7/19/06
21	Fine Arts	6/30/06 – 7/21/06
22	Alumni & Development	Not complete
23	Cove	Not complete
24	East Campus Athletics	Not complete
25	East Campus Central Plant	Not complete
26	Lafitte Village	Not complete
27	Slidell	Not complete



THE UNIVERSITY of
NEW ORLEANS

TIMOTHY P. RYAN, CHANCELLOR

December 5, 2006

Steve J. Theriot, CPA
Legislative Auditor
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804

Re: University of New Orleans
Management's Response
Audit Finding Regarding Overpayment of Terminated Employees

Dear Mr. Theriot:

The University of New Orleans concurs in part with the audit finding applicable to the year ended June 30, 2006 regarding the overpayment of terminated employees.

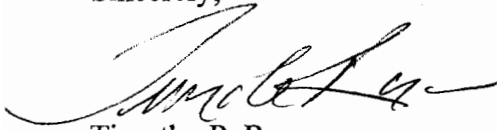
As noted in the audit finding, the possible overpayments totaled \$351,351. After a further review of the listing of possible overpayments, it has been determined that \$37,868 of this amount was not overpayments to terminated employees, (e.g. reimbursement of healthcare premiums.) Therefore, the possible overpayment in the audit finding should have been \$313,483. The Offices of Accounting Services and Human Resource Management are reviewing, name by name, those employees included on the list to determine whether an overpayment was made. At the present time, \$26,204 of the overpayments has been set up as receivables and \$6,166 has been collected. Once the actual receivable amount for the overpayments is established and recorded, the university will continue to pursue the collection of the remaining overpayments.

Management has a policy in effect that department supervisors notify the university's human resources department upon an employee's termination. These procedures would have been followed had it not been for the hurricane. However, it was impractical to adhere to these procedures in the immediate post-Katrina environment because university employees were dispersed over a wide geographical area and did not have a way to retrieve timesheets and time certifications. In addition, university administrators and managers were displaced from the main campus and relocated to Baton Rouge whose circumstances dictated that extraordinary measures be taken in order to carry on business processes. Out of necessity, certain payroll procedures had to be temporarily suspended. Departmental supervisors were expected to inform Human Resources Management in those instances where employees were not working the required number of hours. As of January 3, 2006, all established payroll procedures relating to the timesheet approval process were again being followed.

Mr. Steve Theriot
December 5, 2006
Page Two

The individuals responsible for the corrective action related to this finding are Patrick A. Casey, Director of Accounting Services and Ronald P. Boudreaux, Director of Human Resource Management.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy P. Ryan", with a stylized flourish at the end.

Timothy P. Ryan
Chancellor



THE UNIVERSITY of
NEW ORLEANS

OFFICE OF THE CHANCELLOR

October 23, 2006

Steve J. Theriot, CPA
Legislative Auditor
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Re: University of New Orleans' Management's Response
Audit Finding Regarding Inadequate Controls Over Timesheet Approvals

Dear Mr. Theriot:

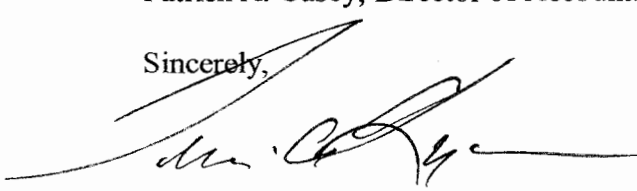
The University of New Orleans concurs with the audit finding applicable to the year ended June 30, 2006, regarding inadequate controls over timesheet approvals.

The time certifications for academic and fiscal employees for the period August 16, 2005 to June 15, 2006, were retroactively sent out for verification by supervisors in June 2006. However, the certifications for each payroll thereafter were done in a timely manner in accordance with the routine operating procedure followed prior to Hurricane Katrina. Although it is a fact that classified employees were not required to submit approved timesheets for the period of August 16, 2005 to January 3, 2006, an alternative procedure related to the timesheet approval function was instituted to insure that all employees were rendering services acceptable to the University in accordance with a directive issued by the Chancellor.

Obviously, had it not been for the Hurricane, controls over timesheet approvals would not have been an audit issue. However, it was impractical to adhere to payroll procedures in the immediate post-Katrina environment because University employees were dispersed over a wide geographical area and did not have a way to retrieve timesheets and time certifications. In addition, University administrators and managers were displaced from the main campus and relocated to Baton Rouge where circumstances dictated that extraordinary measures be taken in order to carry on business processes. Out of necessity, certain payroll procedures had to be temporarily suspended. Departmental supervisors were expected to inform Human Resource Management in those instances where employees were not working the required number of hours.

As of January 3, 2006, all established payroll procedures relating to the timesheet approval process are again being followed. The individual responsible for the corrective action related to this finding is Patrick A. Casey, Director of Accounting Services.

Sincerely,



Timothy P. Ryan
Chancellor



UNIVERSITY of
NEW ORLEANS

OFFICE OF THE CHANCELLOR

March 1, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Theriot:

In response to the recent audit of the Office of Research concerning inadequate support and untimely reimbursement requests, the University of New Orleans submits the following response:

Inadequate Support and Untimely Reimbursement Requests

The University concurs in part with the finding that the University must maintain more adequate documentation for federally funded programs. The university is in the process of purchasing the Grants Module for PeopleSoft so that the additional information required by audit teams can be easily accessed via a query rather than pulling individual files. During the interim, a UNO defined table has been created and uploaded into the PeopleSoft Financials system. This information can be linked to the existing project/grant data in the system via queries. To enter additional CFDA numbers, and other required data has required the creation of a panel to update the table as new awards are received by the university. Accounting Services has a copy of the CFDA panel and will provide the Office of Research with the data to update the panel as they add grants. A copy of the panel was forwarded on February 6, 2007 to the UNO Office of Internal Audit. Carol Lunn, Director of Accounting in the Office of Research and Sponsored Programs will be responsible for implementing and monitoring this corrective action. Ms. Lunn can be reached at 504-280-7155 or clunn1@uno.edu.

Please let me know if I can provide additional information.

Sincerely,

Timothy P. Ryan
Chancellor



THE UNIVERSITY of
NEW ORLEANS

TIMOTHY P. RYAN, CHANCELLOR

September 25, 2006

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Theriot:

In response to the recent audit of the Office of Human Resources concerning employee leave documentation, the University of New Orleans submits the response below. Ronald P. Boudreaux, Director of Human Resource Management will be responsible for implementing the corrective action plan.

The University of New Orleans concurs with the finding that adequate internal controls were not in place to ensure leave earnings for employees returning from sabbatical leave continue to accrue in PeopleSoft when the employees' pay basis changed from sabbatical leave to active employment.

Queries have been established in PeopleSoft to track employees returning from sabbatical leave. In addition, when a sabbatical is entered, a "Return from Leave" transaction is entered which allows the change in pay basis to place the employee in an accrual eligible position upon the faculty member's return from sabbatical.

The University of New Orleans also concurs that the Office of Human Resource Management did not record leave for employees of the University's charter school in the Peoplesoft system.

Charter School employees were initially hired in August of 2005. The Office of Human Resource Management, along with University Computing and Communications had implemented a Charter School Leave Program in PeopleSoft Development. Upon learning of the imminent approach of Hurricane Katrina, on Saturday, August 27, 2005, the priority of the Office of Human Resource Management was to complete the input of data into PeopleSoft on all new employees of the University, including the Charter Schools, in order for the Payroll Department to run all of the upcoming payrolls prior to evacuation. Hurricane Katrina hit the University of New Orleans on August 29, 2005.

The University of New Orleans almost immediately set up operations in the LSU System Office in Baton Rouge, at which time the priority was to account for the University employees and to set up processing of payrolls, furlough employees who were unaccounted for and try to resume normal operations in an abnormal situation. In addition, Charter School employees were placed on leave without pay beginning September 1, 2005, at which time they were not eligible to accrue or use leave.

Upon our return to the main campus in January, 2006, our priority was to bring up operations as employees were able to return to offices as they were available for use. Due to limited workforce and trying to reconstruct the events prior to evacuation for and return from Hurricane Katrina, we were unable to complete the Charter School leave program in a timely manner upon the opening of Capdau Charter School in January.

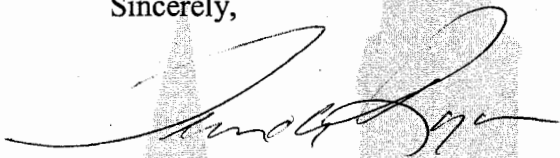
As of August, 2006, the Charter School leave program has been tested in the development database and moved to production in PeopleSoft. In addition, leave accruals for Charter School employees have been posted. In addition, leave certification has been implemented for all Charter School employees and timekeeper responsibility currently falls under the Department of Education.

The Office of Human Resource Management is currently in the process of reviewing and revising the University Leave Policy to include Charter School employees. In addition, the Office of Human Resource Management will establish written procedures on the University Leave Program. The procedures will include areas of responsibility for internal control which will include but not be limited to employee actions which affect the accrual of leave, in addition to the maintenance of documentation of leave accrual and use.

Mr. Ronald P. Boudreaux, Director of Human Resource Management, will be the contact person responsible for the updating of the University's Leave Policy and establishment of University Procedures for the Leave Program. It is anticipated that the University's Leave Policy will be completed by October 31, 2006, the first draft of the University's Procedures for Leave will be completed by November 15, 2006 and finalized by December 15, 2006.

Please let me know if I can provide additional information.

Sincerely,



Timothy P. Ryan
Chancellor



UNIVERSITY of NEW ORLEANS

OFFICE OF THE CHANCELLOR

March 1, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Theriot:

In response to the recent audit of the Office of Research concerning inadequate sub recipient monitoring, the University of New Orleans submits the following response:

Inadequate Subrecipient Monitoring

The University of New Orleans concurs with the finding that the University did not fully monitor all subrecipient of grants CFDA 11.463 and CFDA 12.910. The University does however note that most Federal agencies do not require administrative approval on progress reports. The Office of Research and Sponsored Programs (ORSP) requires its principal investigators (PIs) to submit the required technical/progress reports directly to the funding agencies, unless the reports require prior administrative review and approval. This requirement has been communicated through emails, workshops and individual orientation meetings with principal investigators (i.e. at the preparation of the budget /account set up stage).

In addition, the Office of Research and Sponsored Programs directly monitors project compliance on-line for specific federal and state funding agencies listed below:

- Louisiana Board of Regents (BOR) is a state agency that requires administrative approval and reports are reviewed and approved by ORSP before they are uploaded to the BOR Web site: <https://logan.laregents.org/cgi-bin/logan/home>.
- ORSP staff review periodically the following federal funding Web sites to check on progress report due dates: National Institutes of Health (NIH): http://era.nih.gov/userreports/ipfcom_list.cfm; National Science Foundation (NSF): <https://www.fastlane.nsf.gov/researchadmin/projectreports.do>; U.S. Office of Naval Research, the administrative office for several Dept. of Defense agencies (Army, DARPA, Navy, etc.): http://www.onr.navy.mil/adminweb/#closeout_rept_status.
- National Oceanic and Atmospheric Administration (NOAA). ORSP Contract Analyst has acted as the Project Officer of the Pontchartrain Restoration Program

Mr. Steve J. Teriot

March 1, 2007

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- grant awarded to the UNO Pontchartrain Institute for Environmental Sciences (PIES). ORSP has monitored, reviewed, approved and submitted all progress reports since 09/01/04 via <https://grantsonline.rdc.noaa.gov/flows/home/Login/LoginController.jpf>
- On December 15, 2006, OJP deployed enhancements to the Progress Report Module in the Grants Management System (GMS). As more agencies implement online reporting systems such as U.S. Dept. of Justice <https://grants.ojp.usdoj.gov/gmsexternal/status.do>, ORSP will add them to the list of agencies.

For the above list of funding agencies, ORSP has evidence of submission of progress reports. Principal Investigators are notified via an email when reports are due to ensure projects are executed as originally outlined in the proposal and that adequate progress is being made by subrecipients toward project goals and objectives. ORSP also ensures required reports are submitted for UNO to receive appropriate payments.

Per OMB A-110, ORSP will improve procedures for monitoring program performance and required reporting requirements when implementing the automated report system available in the PeopleSoft Grants Module. ORSP will guarantee all subcontracts/awards contain specific reporting requirements which will adhere to the prime sponsored agreement.

Site visits, if applicable, are performed at the discretion of the Principal Investigator depending on the nature of the project. Engineering GCRMTC's Project Director states: "To enhance our effectiveness in that area, we will require every Principal Investigator to provide a plan for monitoring subrecipient performance as part of the request to prepare a subagreement. The plan will address the periodic progress reports (e.g. quarterly), identification of sub recipient issues affecting project success, review of deliverables, spending rate and site visits. Periodic site visits will be required for any subagreement in excess of \$100,000 which includes a tangible product as a deliverable. Example products are physical models for testing, experimental apparatus, and test systems".

Analida Barrera, Director, Research & Post Award Administration will be responsible for implementing and ensuring compliance for sub recipient monitoring. Ms. Barrera can be reached at 280-6835 or ambarrer@uno.edu.

Please let me know if I can provide additional information.

Sincerely,



Timothy P. Ryan
Chancellor



UNIVERSITY of
NEW ORLEANS

OFFICE OF THE CHANCELLOR

March 1, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Theriot:

In response to the recent audit of the Office of Research concerning inadequate federal grant records, the University of New Orleans submits the following response:

Inadequate Federal Grant Records

The University concurs with the finding that the Office of Grants and Contracts has not maintained adequate internal controls over grant records and concurs that the initial list of federal programs submitted to the Legislative Auditors by Office of Research was incomplete. The list of federal and federal pass through grants is derived from a table that is also used for fringe benefit and indirect cost calculations. The Office of Research enters all grants including federal and federal pass through projects/grants to the fringe benefits table. A query was developed by Financial Services, Internal Audit and Office of Research in fiscal year 05-06 to generate a listing of federal and federal pass through grants. However, during the 05-06 fiscal year, Hurricane Katrina related project grants monitored by Accounting Services which did not have salary or fringe benefit budget were inadvertently excluded from the table.

A procedure has been implemented in which the Office of Accounting Services notifies the Office of Research to add to the fringe benefit table any federal and pass through projects/grants that are created by Accounting Services. If no fringe or indirect cost is associated with the grant, it will be added with a rate of zero. This process will ensure that future reports are accurate. Carol Lunn, Director of Accounting in the Office of Research and Sponsored Programs will be responsible for implementing and monitoring this corrective action. Ms. Lunn can be reached at 504-280-7155 or clunn1@uno.edu.

Please let me know if I can provide additional information.

Sincerely,

Timothy P. Ryan
Chancellor